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SUBJECT: PAY FOR PERFORMANCE VERIFICATION OF GOALS

PERIOD: FISCAL YEAR 2008

PURPOSE:

- To verify adequate documentation supports reported percentages of goals "met" or "partially met."
- To identify practices and procedures to assist Water Department Operations Division in improving future Pay for Performance program reporting.

PROCEDURES:

- Compared goals reported on at fiscal year end to goals presented in the goal summaries at the beginning of the fiscal year.
- Judgmentally selected a sample of goals from each functional area for testing based on the results reported by management, the complexity of the goal, the results of prior year testing, and an emphasis on new goals.
- Calculated percentages of goals met, per audit.
- Reviewed prior audit recommendations.

SUMMARY:

Water Department Operations Division (Water Ops) instituted a total of 26 goals for the fiscal year 2008 Pay for Performance Program. Of the 26 goals, Water Ops indicated 24 of the 26 goals that comprise the fiscal year 2008 Pay for Performance Program were met or partially met. Two of these 24 goals were shared goals (calculated based upon goal achievement of other functional areas that were supported). We tested 13 of the 22 goals (59%) to determine if adequate supporting documentation exists to substantiate the status of those goals. In addition, we re-calculated the 2 shared goals based upon the results of our testwork. Of the 13 goals we tested, we agree with the status reported for 8 goals as met, with a variance on the other 5 goals. Payouts should be based on the percentages below:

Functional Area	% Met per Water Ops	% Met per Audit	Difference
Administration Support	67.00%	66.04%	(0.96%)
Construction	87.60%	81.25%	(6.35%)
Production Engineering	100.00%	100.00%	0.00%
Facility Information Management Section	92.00%	57.71%	(34.29)%
Systems Operations / Optimization	37.50%	28.13%	(9.37)%
Reservoirs and Recreation (Lakes)	83.30%	83.30%	0.00%
Safety	100.00%	100.00%	0.00%
Water Laboratory / Treatment Plants	100.00%	58.30%	(41.70)%

FINDINGS AND RECOMMENDATIONS:

Finding 1:

Facility Information Management Section's (FIMS) goal number one was reported as met. The results of our review did not agree with the status of the goal achievement.

Goal number one states "Map all Operational and As-built drawings into GIS within 60 days of receipt or notification 95% of the time." FIMS reported 274 Operational and/or As-built drawings during the period and 271 mapped within the 60 day criteria, resulting in a 98.9% completion rate. Based upon the report provided by FIMS, we stratified the population and tested 25 Operational and/or As-built drawings. Of those tested, we identified 10 drawings that were either not mapped within 60 days or were missing supporting documentation. When projecting this error across the stratified population, the percentage decreases to 77.3%, resulting in a failure to achieve the goal.

Recommendations:

Those who draft FIMS drawings should not post their drawings as completed until they have completed all updates and saved the file in the GIS application. We noted numerous instances where the drafter had continued to update the file up to a week after the completion date.

Many of the original hard copies of the drawings were purged (destroyed) when the FIMS group moved from the City's downtown location to the Chollas location in the early Fall of 2007. As a result, some of

the Operational (OP) drawings selected for test work were no longer available. We recommend that a policy be implemented that explicitly states when a drawing can be purged.

As-built drawings are date stamped upon receipt by FIMS. However, OP drawings had no such stamp. Therefore, there was no way to validate the Notify Date for the OP drawings. We recommend that all incoming drawings be date stamped by someone outside the FIMS group. This will establish an objective start date to measure the goal.

Approximately 25% of the Drawing Tracking Sheets corresponding to the drawings selected for testwork could not be located. We recommend that the FIMS group establish policies and procedures to ensure that all Drawing Tracking Sheets are properly filed and easily accessible.

Finding 2:

System Operations / Optimization (System Ops) goal number two was reported as met. The results of our review did not agree with the status of the goal achievement.

Goal number two is a two part goal that requires both parts (2A and 2B) to be achieved to receive any bonus. Goal 2A states "Inspect and prepare reports for 15 pump stations and 3 pressure zones." Goal 2B states "Analyze and report on every main break within two weeks at ≥90%." The goal criteria for goal 2A required three steps: (1) prepare report, (2) sign report, and (3) date stamp report. During a review of the original pump station and pressure zone reports, we noted that none of the reports were signed. This was confirmed by the Water Production Superintendent, who indicated he would have been the person to sign them, but did not. This resulted in a failure to achieve the goal. For goal 2B, System Ops reported 109 main breaks during the period and performed 101 reports on main breaks within 14 days, resulting in a 92.7% completion rate. During testwork, a duplicate was noted, which resulted in a smaller population. Because no other exceptions were noted, this resulted in an achievement percentage of 93.5%.

We received two reports of main breaks, one from the System Ops goal contact and one from the Senior Programmer Analyst, San Diego Data Processing Corp (SDDPC). The report provided by System Ops was used for testwork because it was the report listed on the goal summary as the source document. The report received from SDDPC was a SWIM report listing all code 724 according to SWIM, the official record of main breaks used by the Water Department. We noted discrepancies between the two reports; there were some work orders (SRs) listed on the SWIM report that were not on the System Ops report and vice versa. The new report did not affect goal achievement.

Recommendations:

We recommend that goal criteria be followed as defined in the goal.

Due to discrepancies between the two main break reports received for goal 2B, we have no way to determine if all main breaks, as defined in the goal, were reported on by System Ops. We recommend that the goal be worded to define the population according to SWIM codes, which are the official record of main breaks as reported city-wide. This will ensure that the population will be finite, measurable and clearly understood by all parties involved with the goal.

Further, we recommend that System Ops determine which report supports the goal before the start of the audit and clearly define that in the goal criteria.

Note: Subsequent to the completion of testwork and the exit conference, the Division was granted Administrative Relief for System Ops goal number two with 75% goal achievement.

Finding 3:

Water Laboratory / Treatment Plant's (Water Lab) goal number two was reported as met. The results of our review did not agree with the status of the goal achievement.

Goal number two states "Implement jar testing by plant operators." It further states "A. Operator training completed by 01/01/08, B. Weekly jar testing begun on 01/01/08, and C. 78 jar tests completed from 01/01/08 to 06/28/08." During test work, we noted that while 78 jar tests were completed from 01/01/08 to 06/28/08, operator training was not completed for all employees by 1/1/08, and training for one operator was not documented as ever having been completed, resulting in a failure to achieve the goal.

Recommendations:

We recommend that the goal contact follow the goal criteria as explicitly defined. This will help substantiate completion of the goal and allow the auditors to more efficiently verify the goal's completion.

Finding 4:

System Ops goal 3A was reported as met. The results of our review did not agree with the status of the goal achievement.

Goal 3A states "Perform monthly preventative maintenance services on 24 Generators (288 PMs) and annual preventative maintenance on 201 pump motors at ≥95%." System Ops reported 281 monthly PMs on generators and 184 annual PMs on Pump Motors, resulting in a 95.09% completion rate. The report provided by System Ops reported 285 monthly PMs on generators and 189 annual PMs on Pump Motors, resulting in a 96.93% completion rate. During our meeting with the goal contact we were presented with an additional 12 work orders for generator PMs to be added to the report as completed, increasing the completion rate to 99.39%. However, we sorted and stratified the report before commencing testwork and determined that 4 generator and 5 pump motor PMs were duplicated in the report. Therefore, the population included in our scope for testwork was 281 monthly PMs on generators and 196 annual PMs on Pump Motors, resulting in a 97.55% completion rate. Our testing indicated that two of 40 selections reported as being completed PMs were not. When projecting this error across the entire population, the percentage completion rate decreases to 92.6%. This level of activity results in a 75% goal achievement.

In addition, some work orders could not be located, therefore alternate procedures had to be performed to verify that the PMs had been completed as reported. This caused delays in the completion of testwork.

Recommendations:

We recommend thoroughly reviewing source documents and reports generated by the employees responsible for the goals to ensure that the final results summary is accurately prepared. Further, we recommend that all backup documentation required to measure goal achievement be maintained until after completion of the testwork.

Finding 5:

Construction's goal number one was reported as partially met with 75% goal achievement. The results of our review did not agree with the status of the goal achievement.

Goal number one states "Investigate reported distribution leaks within 2 working days." The goal further specifies that completion of greater than or equal to 87% of the investigations within 2 working days will result in goal achievement, "includes work codes 'ESINV'" and that "only leaks reported from July 1, 2007 through June 26, 2008 will be included." Construction reported 2,236 distribution leaks during the period and 1,927 were investigated within 2 working days, for a completion rate of 86.2% (75% payout). The report provided to us for testwork included specifications that did not agree with the goal criteria and contained extraneous data such as leaks reported after June 26, 2008, work codes other than ESINV, duplicate SR numbers and work order status codes other than complete (CMP). Further, some crews were excluded from the report specifications. Before commencing testwork we sorted and refined the data on the report and calculated 2,366 investigations as completed during the period and 1,976 as investigated within 2 working days, for a completion rate of 83.5% (50% payout).

We stratified the population and selected 40 water work orders for testwork. Of the 40 tested, one work order was not completed within 48 hours. When projecting this error across the stratified population, the percentage decreased to 83.1%, resulting in a 50% payout.

Upon review of the report provided by the City of San Diego Systems Analyst (Analyst), we also noted that SWIM calculates the goal based upon a 48 hour clock and does not factor in weekends and holidays. This is because emergency crews are always on call, therefore weekends and holidays should not be a factor in their response time. Both the Water Operations Deputy Director and the Construction and Maintenance Program Manager confirmed that the 48 hour clock would be the correct measurement for the goal.

We noted numerous data entry errors that had a work order date greater than 1 day before the work order generation date. We also noted omissions and errors on water work orders (such as incorrect or blank work codes).

Recommendations:

We recommend that IT personnel and those responsible for writing the goal meet before reports are generated to ensure that only data included in the scope of the goal are included in the report and that the report specifications match the goal criteria.

We recommend that the Excel report be reviewed and sorted by Construction to identify and correct any obvious data entry errors.

We recommend that the Admin division adhere to its policy to correct work orders with typographical errors during the data entry process. This will maintain the integrity of the data used to measure goal achievement and it will prevent confusion about the nature of the work performed.

We recommend that the wording of the goal be changed to "Investigate reported distribution leaks within 48 hours" to be consistent with the intent of the goal and the manner in which it is measured in SWIM.

Finding 6:

Water Lab's goal number one was reported as met. The results of our review did not agree with the status of the goal achievement.

Goal number one states "Maintain costs of certain tests at or below costs at private labs." The goal lists the six tests within scope. The notes on the goal summary further define the goal criteria by stating that "Costs will be collected a minimum of once every six months." Water Lab reported that the City Lab average was below the private lab average for all six tests, resulting in a 100% completion rate. Upon review of the costs collected, we noted that one of the six tests did not collect costs a minimum of every six months, disqualifying it from achievement, resulting in a 75% completion rate.

Recommendations:

We recommend that all information necessary to measure goal achievement be included as part of "criteria for goal achievement" and related "definitions" on the goal summary. All extraneous information should be removed.

We recommend that Water Operations avoid vague wording like "reasonable efforts". Instead, goal criteria language should be specific, quantifiable and clearly stated.

The Employee Bid states that the purpose of the Pay for Performance program is to improve operational performance by providing cash incentives to employees for achieving specified performance goals. The City Lab average costs were substantially lower than Private Lab average costs. We recommend that Water Operations evaluate this goal to determine if it is challenging to employees and promotes increased operational performance.

Finding 7:

FIMS goal number two and Admin goal number three, shared goals, were reported as partially met. The results of our review did not agree with the status of the goal achievement.

These goals state "Reward [Section] with the same percentage bonus as the programs supported (excluding Admin Support and FIMS goals)." FIMS and Admin reported the average goal achievement percentage of programs supported to be 76.3% resulting in a \$254 payout.

Note: Subsequent to the completion of testwork and the exit conference, the Division was granted Administrative Relief for System Ops goal number two with 75% goal achievement. Based upon this change, and the results of our testwork, we calculated the average goal achievement percentage of all programs supported to be 73.13%, resulting in a \$244 payout.

Finding 8:

Construction's goal number four was reported as met. Although we agree with the status of the goal achievement, our procedures identified areas for improvement.

Goal number four states "Perform 16,144 preventative maintenance services [PMs] on air valves, hydrants, blowoffs and valves equal to 6" and greater." The goal further specifies that completion of greater than or equal to 70% of 16,144 PMs will result in goal achievement. Construction reported 16,826 PMs on air valves, hydrants, blowoffs and valves equal to 6" and greater were completed during the period for a completion rate of 104.22%.

The Analyst provided a report for goal number four, which was sorted, refined and analyzed by us. The report contained inconsistencies, extraneous data and duplications, causing delays in completion of fieldwork. We were provided a second report by the Senior Programmer Analyst, San Diego Data Processing Corp (SDDPC). This report indicated 15,811 PMs on Air Valves, Hydrants, Blowoffs and Valves equal to 6" and greater were completed during the period, reducing the completion rate to 97.94%. We identified 42 work orders that either did not have a work code of PM (as specified in the goal criteria), or did not have a work code status of completed (CMP). These were excluded from the population resulting in 15,769 completed PMs within scope for a 97.68% completion rate. We tested 40 PMs and found no exceptions, resulting in goal achievement.

During our testwork we noted a typographical error on a water work order and identified water work orders that were not stamped by Admin as complete.

After completion of fieldwork, we also received additional information regarding the construction goal number four that changed the population, but did not affect goal achievement.

Recommendations:

We recommend that IT personnel and those responsible for writing the goal meet before reports are generated to ensure that only data included in the scope of the goal are included in the report and that the report specifications match the goal criteria. Further, we recommend that the reports be finalized before the testwork begins.

We recommend that Admin stamp all water work orders as complete once entered into SWIM, to prevent duplication of work and to provide accountability for each step towards goal achievement.

Finding 9:

Safety's goal number one was reported as met. Although we agree with the status of the goal achievement, our procedures identified areas for improvement.

Goal number one states "Conduct 120 construction site safety field audits." Safety reported 123 completed construction site safety audits, for a completion rate of 103%. We received 126 completed

original safety audit forms, for a completion rate of 105%. Of the 20 tested, we identified one that was completed after the Fiscal Year 2008 ended. When projecting this error across the population, the percentage decreases to 100%, with no affect on goal achievement.

The Safety Audit Form (UW-1646) provides a space for the Site Supervisor to sign off acknowledging they were presented with the findings by the Safety Representative. We noted that the forms were not always signed.

Recommendations:

We recommend that before submitting goal results, the person in charge of tracking the goal should calculate the data for accuracy to avoid discrepancies between amounts reported and amounts provided to auditors for evaluation of goal achievement.

We recommend that if a safety deficiency is identified, the Site Supervisors should be required to sign-off to document that the finding was presented and acknowledged. This sign-off should be incorporated into the goal criteria.

We recommend that the corrective actions be documented within a reasonable period time and that they be attached to the safety audit findings and incorporated into the goal criteria.

Finding 10:

Administration Support's (Admin) goal number two was reported as met. Although we agree with the status of the goal achievement, our procedures identified an area for improvement.

Goal number two states "Publish at least seven division newsletters for Water Operations Division within the fiscal year 2008." We noted that the majority of the newsletters were published in the latter half of the fiscal year.

Recommendations:

We recommend that the wording in the goal be clarified to indicate that the newsletters must be produced and circulated to employees at regular intervals (for example bi-monthly, quarterly, or monthly). If the purpose of the goal is to enhance communication between the Division and employees, then newsletters published at regular intervals would be more effective.

Finding 11:

FIMS goal number three was reported as met. Although we agree with the status of the goal achievement, our procedures identified areas for improvement.

Goal number three states "Respond to Customer Phone Inquiries by Close of Business (COB) the following Business Workday 95% of the time." FIMS reported 1,686 total inquiries during the period and 1,679 responded to by COB the following workday, resulting in a 99.58% completion rate. Based upon the report provided by FIMS, we stratified the population and tested 40 customer inquiries. Of those tested, we identified no exceptions.

Upon review of the data and discussions with goal contact, we noted that the report contained numerous typographical errors, such as incorrect dates.

In addition, the program used to track goal achievement was internally developed and there is nobody to provide technical support. The program contains some drawbacks such as:

- Data fields used to measure goal achievement were not required fields.
- The calculation to determine if the inquiry was responded to within 24 hours is not done by the program.
- Anyone with access to the database can edit the data, leaving no audit trail.

There is no way to ensure that all paper forms used to log customer inquiries have been entered into the computer program, and there is no way to verify the validity of the dates entered by the FIMS employees on the paper forms.

Recommendations:

We recommend that Water Operations consider using a different program that provides technical support and better control over required data fields and access to data.

We recommend that a FIMS employee sort the report and review it for obvious typographical errors before submitting goal results.

We recommend that the Department consider using pre-numbered, date-stamped, forms for employees to log customer inquiries. This will better validate the data used to measure goal achievement.

Finding 12:

Reservoirs and Recreation (Lakes) goal number two was reported as met at 75% payout. Although we agree with the status of the goal achievement, our procedures identified areas for improvement.

Goal number three states "Complete 95% of routine property and watershed inspections." The goal further states that "2,468 Property Inspection Work Units are completed as scheduled greater than or equal to 95% of the time over the course of the year." Lakes reported 2,452 scheduled property inspections and 2,313 completed inspections during the period, resulting in a 94.3% completion rate. We noted that the scheduled property inspections according to the goal criteria was different than the report provided by Lakes, resulting in a decreased completion rate of 93.7%. There was no effect on goal achievement. Of the 40 inspection logs tested, we found no exceptions.

We noted that the Activity Report Forms for inspections conducted at Lake Hodges prior to the Witch Creek Fire on 10/22/07 were destroyed. No back-ups or copies had been made.

Recommendations:

We recommend that all changes to the population be approved by management before submitting final results.

We recommend that electronic or paper copies be maintained off-site for all documents required to measure goal achievement.

Finding 13:

Safety's goal number three was reported as met. Although we agree with the status of the goal achievement, our procedures identified areas for improvement.

Goal number three states "Conduct 150 security audits and/or procedures checks." Safety reported 155 completed security audits and or procedures checks, for a completion rate of 103.3%. We received 177 completed original safety audit forms, for a completion rate of 118%. Of the 25 tested, no exceptions were identified.

We also noted that the security audit forms did not present a place where each respective Site Supervisor could sign in acknowledgement of a deficiency.

Recommendations:

We recommend that before submitting goal results the person in charge of tracking the goal calculate the data for accuracy to avoid discrepancies between amounts reported and amounts provided for evaluation of goal achievement.

We recommend that the security audit forms include a space for the Site Supervisor's signature.

OTHER RECOMMENDATIONS

Recommendation 1:

The reports provided for several goals did not correctly measure the goal according to the criteria. This was because the report specifications did not agree with the goal criteria. In addition, goal contacts could not determine how data from the detail report was used to generate the results summary. We recommend that the individual responsible for tracking goal achievement meet with an IT person who is familiar with the software and programming that measure the goal to define the following:

1. The total population
2. The specific parameters that define the population to be measured (such as work code, work order status, crew, start date, job end date)
3. The specific parameters that should be excluded from the population (to avoid extraneous data).
4. Any cut-off dates prior to year end, as defined in the goal.

We also recommend that the same individual create a summary page indicating the results and other relevant information such as:

1. Where the report was generated (e.g. SWIM)
2. Any filters or parameters used to obtain the data
3. A description of the data used to track the goal (such as work orders and related work codes)
4. Any other information required to re-create the report at a later date

We recommend that this information be collected by one individual, and be signed off as part of the goal achievement. This will ensure accountability for tracking the goal achievement.

Recommendation 2:

The reports provided for many goals had easily identifiable data entry errors. One of the most common errors we noted were items reported as completed before the SRs were generated. We recommend that the individual responsible for tracking goal achievement obtain a copy of the report used to calculate goal achievement, in Excel format. The reports can be sorted and reviewed in order to identify and correct such errors, before submitting results to management.

Recommendation 3:

We identified many typographical errors on supporting documentation. We recommend establishing a review process to ensure the accuracy of finalized goal results.

Recommendation 4:

The supporting documentation provided for several goals with relatively small populations did not agree to the summary report of goal results. Before finalizing the goal results, we recommend that the employee responsible for measuring goal achievement verify that the support, such as training logs or inspection work sheets, agree to the summary sheets.

This report is intended solely for the information and use of the City of San Diego and Water Department Operations Division and is not intended to be and should not be used by anyone other than these specified parties.

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